

ANNUAL REPORT

1970



ENGINEERING
LIMITED

Beaver ENGINEERING LIMITED



CONTENTS

Financial Highlights	This page
Report of President and Directors.....	1, 2, 3
Financial Statements and Notes.....	4, 5, 6, 7
Directors, Management and Agents.....	8

FINANCIAL HIGHLIGHTS

	<u>1970</u>	<u>1969</u>
Net Sales.....	\$8,569,141	\$6,359,988
Income Taxes	471,971	325,845
Net Profit.....	428,697	321,488
Earnings per Share.....	0.71	0.53
Capital Expenditures.....	98,774	673,807
Depreciation.....	66,532	52,876
Working Capital.....	1,257,504	856,186
Cash.....	629,021	312,982
Receivables.....	1,427,608	1,512,424
Inventories.....	167,943	147,737
Facilities net.....	769,212	736,970
Shareholders' Equity.....	\$1,965,956	\$1,461,662
Shares outstanding at December 31.....	601,800	601,300

REPORT TO THE SHAREHOLDERS

1970 RESULTS

Your company, Beaver Engineering Limited, dramatically increased both sales and earnings in 1970, with each registering an improvement in excess of 33% over the same period in 1969, when reported on a comparable basis.

	1970	1969	Increase
Sales.....	\$8,569,141	\$6,359,988	35%
Earnings.....	428,697	321,488	33 1/3 %
Earnings per share	71¢	53¢	34%

These achievements are all the more striking when consideration is given to those detrimental factors which had some effect on the general economy and on our specific industry.

In this annual report, we have chosen to alter our method of presentation to allow us to more directly reflect in the statements the activities of the period. The basic difference is that we are now reporting anticipated profit on the asset value of contracts uncompleted at the end of the year less the profit we anticipated on uncompleted contracts at the beginning of the year. This method will be consistent in all future reporting. To date, we have not reported on a quarterly basis, but will now be in a position to do so.

The working capital increased by \$401,318 as compared to \$354,851 in 1969. The improvement is very significant when recognition is given to the fact that over \$580,000 was raised from the issue of additional share capital in 1969 as opposed to less than \$3,000 from the same source in 1970.

Our volume of business in 1970 exceeded our budget, and this put us in a situation where all of the anticipated overhead and profit margins included in this extra sales volume contributed directly to net profit. Such performance as Beaver enjoyed in 1970 is possible when we exceed our anticipated sales volume and perform the additional work as efficiently as normal.

Actual sales completed in 1970 were within 1% of the completed sales in 1969, but the asset value of our work in progress was substantially increased in 1970 over the 1969 figure. In 1969, the carryover from 1968 was larger than that carried through to 1970. Hence, to be totally consistent in reporting, the 1969 statements are shown parallel to 1970, with the 1968 contribution picked up as an adjustment to retained earnings at the beginning of the 1969 fiscal year.



WILLIAM H. HARPER, *President*

As well as reporting on a basis which reflects the actual work performed and materials delivered in 1970, it was concluded that these statements should also reflect the liability for guarantees and warranties that extend beyond December 31, 1970. Hence, a provision for future warranty in an amount of over \$72,000 is included as a reserve in our year-end statements.

The service section of our business again increased in 1970, and again by over 30%.

During 1970, Beaver purchased new physical assets which included trucks, improved construction and service equipment, new office fixtures and improved plant facilities. The amount expended was \$98,774 and the total allowance for depreciation during the period was \$66,532.

ORGANIZATION

Each of our operating divisions was profitable during 1970. All divisions have again accepted higher budgets for both sales and profits in 1971.

We plan to integrate our residential division into our new subsidiary company—Avron Heating and Air Conditioning Limited. The commercial work is now to be handled in two divisions with particular emphasis on type of customer or project as the criterion for separation.

PERSONNEL AND LABOR RELATIONS

Beaver organized a company personnel department during 1970, whose responsibility it is to administer employee benefit programs, to handle recruitment in a more economical and efficient manner and to make available various kinds of assistance to our employees.

Almost all of the union agreements with our field forces in refrigeration, sheet metal, pipe fitting and electrical expire in April of 1971. There is considerable hope that reason will prevail and an early settlement will be reached.

It should be noted that refrigeration workers in Ontario have never been on strike nor locked out. This group comprises the majority of our field force.

Further, we have contracts for major projects in areas remote from Toronto, such as Victoria, Belleville, Halifax and others. In the event of a production loss because of a local labor problem, it would not likely be a problem which would, at the same time, be national in scope—hence, we should remain productive.

Special courses were attended by our employees during 1970—all part of our continuous training program. Engineers, technicians, installation and service mechanics, managers, foremen and superintendents were in training at locations from our own training room to as far away as the southern United States.

Our organization embraces the best trained, most competent and dedicated employees in the industry. We appreciate the fact that they have earned us our very envied reputation and we count on their continued support. Many of our employees are shareholders.

SUBSIDIARIES

In November of 1970, Beaver entered into an Agreement to acquire all of the shares of two Toronto-based companies, Avron Gas Services Limited and Avron Heating and Air Conditioning Limited. Mr. Herman Storfer, the companies' founder will continue as President and General Manager, respectively.

Avron Gas Services Limited is a company which performs, on a contract basis, certain service requirements of the gas utilities in connection with the maintenance and repair of gas appliances used by over 100,000 natural gas subscribers in north Metropolitan Toronto.

Avron Heating and Air Conditioning Limited is involved in the contracting business doing residential, small commercial and industrial heating and air conditioning work. The facilities are ideally suited to accept and efficiently integrate the residential division of Beaver.

These operations should contribute more than one million dollars worth of sales in 1971 to Beaver's total, approximately one-half of which will be in service.

It is hoped that an awareness gained through Avron will open new avenues and opportunities for expanded business at Beaver. This year we converted our own coal-fired boiler to gas, completed our first direct gas-fired commercial air conditioning installation and booked an order for our first residential gas-fired air conditioning system.

PRIVATE BRAND

During 1970, our warranty and guarantee costs have been the highest in our history. A considerable amount of this expense was encountered because of flaws or defects in the manufactured equipment which we purchased for the projects. All manufacturers' warranties are to repair or replace defective parts, F.O.B. their plants. Our guarantee to our customer is that we will repair or replace defective parts or workmanship on the job. If the manufacturer's equipment is defective, we incur considerable additional expense to correct the problems in the field.

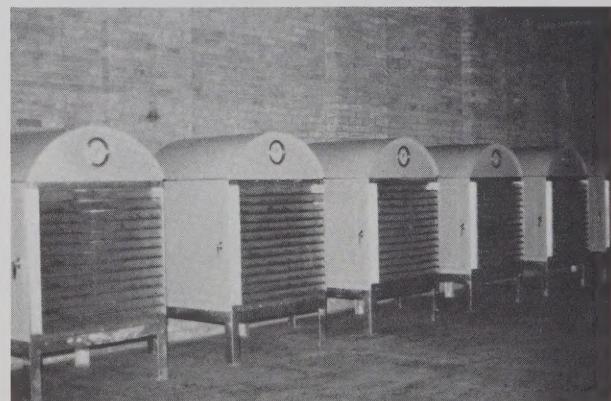
We conclude that in this very competitive field many manufacturers are taking short cuts resulting in less acceptable equipment being available for some applications.

As a result, we have laid down tight specifications for a standard of performance and basic inclusion of what we believe to be required components of certain types of equipment. Then on a tender basis with manufacturers whose equipment most closely meets our specification, we have arrived at particular agreements to have this equipment built for us to our standards. At this point in time, we have finalized our roof top heating and cooling equipment and some residential add-on cooling equipment.

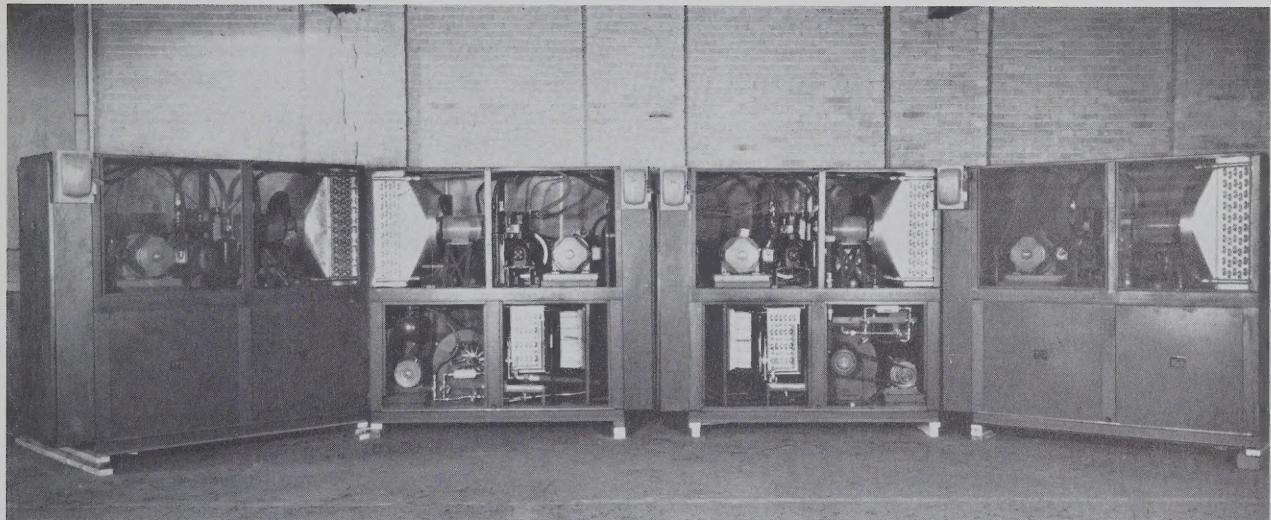
It is our firm belief that this move will minimize our warranty expense in the future and permit us to offer excellent equipment with premium features, at competitive prices.

SPECIAL MANUFACTURE

During 1970, equipment was assembled in our shop to serve very special applications for particular customers. Some examples of these are shown in the photographs.

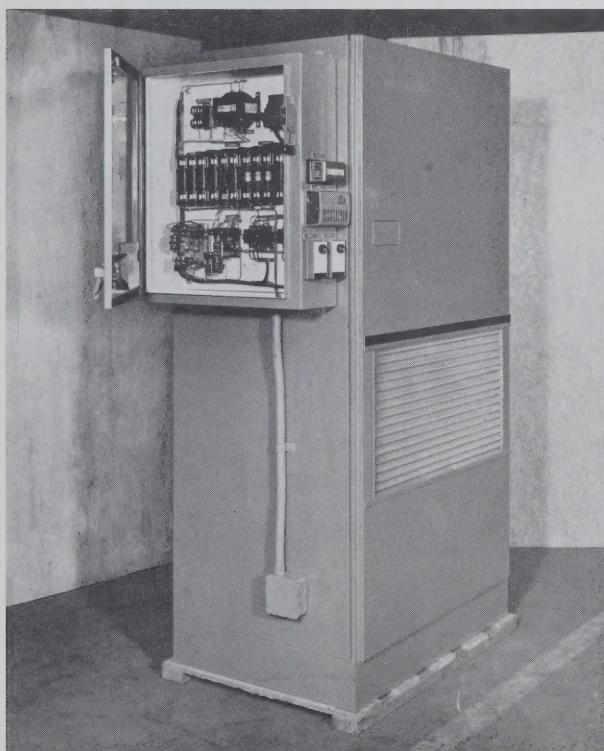


Custom cooling equipment used in the storage and handling of gases. These units were shop assembled in plastic and galvanized cases for outdoor mounting.



Four Crane cab coolers built for reliability of operation in a toxic and corrosive atmosphere reaching 125°F temperature. This type of equipment is not commercially available and must be designed and built to suit each application.

We believe that there is a considerable amount of business available in the shop assembly of equipment for uses not presently served by standard equipment available on the market. Currently, our shop facilities are being expanded to better handle this type of work.



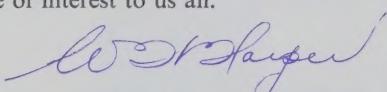
Special equipment for complete year round control of temperature and humidity in a computer room. Several units of this basic type are shop assembled annually at Beaver for both laboratories and computer rooms.

OUTLOOK

Business activity in terms of quotations issued and orders booked in the first ten weeks of 1971 confirms our view that the coming year could be a year of significant progress, now that some of the major deterrents to new construction starts appear to be less severe. Lower interest rates, coupled with higher demand for new residential, commercial, institutional and industrial facilities augur well for early improvement. We recognize the pressure which is being brought to bear as a result of the lean period just past, but trust that as all facilities get back to full utilization, construction prices generally will settle down to a more realistic level. It is hoped that our various governmental authorities will conclude on a more realistic approach to normalize the construction industry and solve the unemployment problem rather than launch into mammoth building programs for public facilities that may not be required.

IN APPRECIATION

Your Directors wish to express appreciation for the contributions made by our dedicated employees, the service of our suppliers and the confidence of our valued customers during 1970. To our shareholders, we are grateful for your past support and hopeful that you might help us even more in 1971 by using the advice card which is enclosed with this report to tell us of possible projects or potential customers that could be of interest to us all.



WILLIAM H. HARPER,
President

Beaver ENGINEERING LIMITED



STATEMENT OF EARNINGS

for the year ended December 31, 1970 (with comparative figures for 1969)

Sales

Cost of sales, selling, administrative and other expenses—exclusive of the items listed below

Depreciation and amortization

Mortgage interest

Earnings for the year before taxes

Provision for income taxes

Net earnings for the year

Earnings per share

on the basis of the number of shares outstanding at the year end

	1970	1969
	(Note 1)	\$ 6,359,988
Sales	\$ 8,569,141	\$ 6,359,988
Cost of sales, selling, administrative and other expenses—exclusive of the items listed below	\$ 7,590,422	\$ 5,654,825
Depreciation and amortization	66,532	52,876
Mortgage interest	11,519	4,954
	\$ 7,668,473	\$ 5,712,655
Earnings for the year before taxes	\$ 900,668	\$ 647,333
Provision for income taxes	471,971	325,845
Net earnings for the year	\$ 428,697	\$ 321,488
	<u> </u>	<u> </u>
Earnings per share	\$ 0.71	\$ 0.53
	<u> </u>	<u> </u>

STATEMENT OF RETAINED EARNINGS

for the year ended December 31, 1970 (with comparative figures for 1969)

Retained earnings, beginning of year

Adjustment of retained earnings on changing the company's method of reporting profits (Note 1)

As restated

Net earnings for the year

Additional proceeds re prior year sale of land and building \$ 98,810

Tax thereon 26,113

72,697

	1970	1969
	(Note 1)	\$ 566,051
Retained earnings, beginning of year	\$ 806,130	\$ 566,051
Adjustment of retained earnings on changing the company's method of reporting profits (Note 1)	59,786	105,071
As restated	\$ 865,916	\$ 671,122
Net earnings for the year	428,697	321,488
Additional proceeds re prior year sale of land and building	\$ 98,810	
Tax thereon	26,113	
	72,697	
	\$ 1,367,310	\$ 992,610
Less: Dividends	—	92,200
Tax paid on election under Section 105(2) of the Income Tax Act	—	13,250
Organization and share issue expenses, net of tax	—	21,244
	—	\$ 126,694
Retained earnings, end of year	\$ 1,367,310	\$ 865,916
	<u> </u>	<u> </u>

BALANCE SHEET as at December 31, 1970 (with comparative figures for 1969)**ASSETS**

Current

	1970	1969
	(Note 1)	
Cash and short-term deposits.....	\$ 629,021	\$ 312,982
Accounts receivable.....	1,427,608	1,512,424
Inventory at the lower of cost and net realizable value.....	167,943	147,737
Costs and estimated earnings in excess of billings on uncompleted contracts (Note 1).....	336,268	38,823
Prepaid expenses.....	2,212	377
	<u>\$2,563,052</u>	<u>\$2,012,343</u>
	<u>\$ 61,734</u>	<u>\$ —</u>
Investment in subsidiary companies (Note 1).....		
Fixed, at cost		
Land and building (Note 2).....	\$ 647,513	\$ 636,741
Machinery and equipment.....	97,504	70,751
Vehicles.....	156,290	125,560
Furniture and fixtures.....	77,218	54,511
Leasehold improvements.....	—	1,835
	<u>\$ 978,525</u>	<u>\$ 889,398</u>
Less accumulated depreciation and amortization.....	209,313	152,428
	<u>\$ 769,212</u>	<u>\$ 736,970</u>
Goodwill at cost.....	66,954	66,954
	<u><u>\$3,460,952</u></u>	<u><u>\$2,816,267</u></u>

LIABILITIES

Current

Accounts payable and accrued charges.....	\$ 679,293	\$ 832,820
Income taxes.....	436,158	187,516
Allowance for warranties.....	72,912	56,518
Deferred income on service contracts.....	97,185	79,303
Notes payable.....	20,000	—
	<u>\$1,305,548</u>	<u>\$1,156,157</u>
Long-term debt (Note 2).....	<u><u>\$ 189,448</u></u>	<u><u>\$ 198,448</u></u>

SHAREHOLDERS' EQUITY

Share capital (Note 3)

Authorized		
1,200,000 shares without par value		
Issued and fully paid		
601,800 shares without par value.....	\$ 598,646	\$ 595,746
Retained earnings.....	1,367,310	865,916
	<u><u>\$1,965,956</u></u>	<u><u>\$1,461,662</u></u>
	<u><u>\$3,460,952</u></u>	<u><u>\$2,816,267</u></u>

APPROVED ON BEHALF OF THE BOARD

W. H. HARPER, *Director*, J. L. ATTWOOD, *Director*

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Beaver ENGINEERING LIMITED



STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the year ended December 31, 1970 (with comparative figures for 1969)

Source of Funds

	1970	1969 (Note 1)
Net earnings.....	\$ 428,697	\$ 321,488
Depreciation.....	66,532	52,876
	<hr/>	<hr/>
Funds generated from operations.....	\$ 495,229	\$ 374,364
Additional proceeds re prior year sale of land and building, net of tax.....	72,697	—
Issue of share capital.....	2,900	587,540
	<hr/>	<hr/>
	\$ 570,826	\$ 961,904
	<hr/>	<hr/>

Application of Funds

Purchase of land and building less mortgage assumed.....	\$ —	\$ 396,788
Purchase of other assets.....	98,774	78,571
Purchase of subsidiary companies.....	61,734	—
Debt repayment.....	9,000	—
Redemption of preferred shares.....	—	92,000
Dividends—cash.....	—	5,200
Tax paid on election under Section 105(2) of the Income Tax Act.....	—	13,250
Organization and share issue expenses, net of tax.....	—	21,244
	<hr/>	<hr/>
	\$ 169,508	\$ 607,053
	<hr/>	<hr/>
INCREASE IN WORKING CAPITAL.....	\$ 401,318	\$ 354,851
	<hr/>	<hr/>



NOTES TO FINANCIAL STATEMENTS

at December 31, 1970

1. PRINCIPLES OF FINANCIAL STATEMENT PRESENTATION

In the past the Company has followed the accounting practices of (1) recognizing profits only when a contract had been completed and (2) providing for warranty costs only when incurred. With the recent acquisition of larger, longer-term contracts it became apparent that the operating results reported on a completed contract basis did not properly reflect earnings related to the activities of the period. Consequently the Company has adopted the percentage-of-completion basis of reporting profits on uncompleted contracts and will follow this procedure in the future. The comparative figures presented for 1969 have been restated to reflect the adoption of the new basis. In addition the Company has provided estimated warranty costs as a percentage of gross income and has also adjusted the accounts for this item on a retroactive basis.

The effect on retained earnings of the above revisions is summarized below:

	Earnings Before Tax	Income Tax	Net Adjustment
Increase in profits previously reported on operations prior to 1969.....	\$225,522	\$120,451	\$105,071
Decrease in profits previously reported on 1969 operations.....	97,200	51,915	45,285
Accumulated adjustment at January 1, 1970.....	<u>\$128,322</u>	<u>\$ 68,536</u>	<u>\$ 59,786</u>

The assets and liabilities of two minor subsidiaries purchased towards the close of 1970 have not been consolidated in these accounts because the values thereof and the final purchase price of the shares are still to be determined in accordance with the terms of the agreement. The effect of consolidation upon the Company's financial position and upon its profits for the year would be immaterial.

The comparative figures for 1969 are those of the amalgamated and predecessor companies presented on a combined and consolidated basis and as adjusted in accordance with the foregoing.

2. LONG-TERM DEBT

The long-term debt is secured by a 6% mortgage on the building, repayable in monthly instalments of \$1,710, combined principal and interest, with the balance maturing in 1984.

3. SHARE CAPITAL AND STOCK OPTIONS

During the year 500 shares were issued for cash at \$5.80 per share under the Company's stock option plan.

At December 31, 1970, 28,200 shares were reserved under the stock option plan, of which 12,300 shares remain allocated to options granted in 1969, exercisable at \$5.80 per share and expiring in 1974.

4. DIRECTORS' REMUNERATION

The aggregate direct and indirect remuneration paid or payable by the Company to the Directors and Senior Officers during the year ended December 31, 1970 amounted to \$157,400 (1969—\$141,414).

AUDITORS' REPORT

The Shareholders,
BEAVER ENGINEERING LIMITED

We have examined the balance sheet of Beaver Engineering Limited as at December 31, 1970 and the statements of earnings and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1970 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in recording profits on uncompleted contracts as referred to in Note 1 to the financial statements, on a basis consistent with that of the previous year.

Toronto, Ontario
March 17, 1971.

TOUCHE ROSS & CO.
Chartered Accountants

Beaver ENGINEERING LIMITED



DIRECTORS

William H. Harper, P.Eng., *Chairman of the Board*

James L. Attwood, P.Eng., *Toronto, Ont.*

Charles E. Bell, P.Eng., *Toronto, Ont.*

Lawrence L. Bell, *Toronto, Ont.*

Gerald E. Blair, P.Eng., *Toronto, Ont.*

Lloyd A. Book, *Brantford, Ont.*

Willard Z. Estey, Q.C., *Toronto, Ont.*

Colin Hersh, P.Eng., *Toronto, Ont.*

Elmer C. Strongitharm, *Toronto, Ont.*

OFFICERS

William H. Harper, P.Eng., *President*

James L. Attwood, P.Eng., *Vice President & Secretary*

Colin Hersh, P.Eng., *Vice President*

TRANSFER AGENT & REGISTRAR

Canada Permanent Trust Company

Halifax, Toronto, Winnipeg, Calgary and Vancouver

AUDITORS

Touche Ross & Co., Chartered Accountants

Toronto, Ont.

HEAD OFFICE

70 Queen Elizabeth Boulevard,

Toronto 550, Ontario

255-1331

SALES AND SERVICE BRANCHES

63 Queen Street,

Brantford, Ontario

753-3118

185 Borden Avenue South,

Kitchener, Ontario

578-7820

972 Hamilton Road,

London 35, Ontario

455-8180

3129 Marentette Avenue,

Windsor, Ontario

969-3383

Kingston, Ontario

542-6212

Sudbury, Ontario

867-2049

UNCONSOLIDATED SUBSIDIARIES

Avron Heating and Air Conditioning Limited,
Toronto, Ontario

Avron Gas Services Limited,
Toronto, Ontario

Beaver ENGINEERING LIMITED



PROXY SOLICITED BY MANAGEMENT FOR ANNUAL AND GENERAL MEETING OF SHAREHOLDERS

This Form of Proxy confers discretionary authority on the proxy named herein, as explained in the Information Circular.

The undersigned Shareholder of BEAVER ENGINEERING LIMITED (hereinafter referred to as the "Company") hereby appoints WILLIAM H. HARPER, President and Chairman of the Board, or failing him, JAMES L. ATTWOOD, Vice-President and

Secretary, or failing him, COLIN HERSH, or as proxy, with power of substitution, to attend, act and vote for and on behalf of the undersigned at the Annual and General Meeting of Shareholders to be held on the 7th day of May, 1971, at the hour of 11:00 o'clock in the forenoon (Toronto Time) and at any adjournment or adjournments thereof:

1. For the approval of the Annual Report, financial statements for the year ending December 31, 1970 and report of the Auditors thereon; Against
2. for the election of directors of those persons named in the Information Circular forwarded to the undersigned and any other persons nominated for election to the Board of Directors at the Annual and General Meeting of Shareholders;
3. For the confirmation, with or without variation, of By-law No. 1 relating to the governance of the affairs of the Company including the indemnification of officers and directors, the quorum of the Board of Directors, and the notice required for Shareholders' Meetings; Against
4. for the appointment of Touche Ross & Co. as auditors and to authorize the directors to fix their remuneration; and
5. on such other business as may properly come before the meeting.

DATED this day of , 1971.

.....
Signature of Shareholder

Number of Shares Held

NOTE:

Where the appointor is a corporation, this form of proxy must be signed under its corporate seal or by an officer or attorney duly authorized.

A shareholder has the right to appoint any person instead of the persons designated in the Form of Proxy, who need not be a shareholder of the Company, to represent him at the meeting. To exercise such right, the Shareholder should strike out the names of the persons printed above and insert the name of his nominee in the blank space provided for that purpose or complete another proper Form of Proxy and, in either case, deliver the completed proxy to the Secretary of the Company, at 70 Queen Elizabeth Blvd., Toronto 550, Ontario.

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Globe & Mail,
140 King St. W.,
TORONTO, Ont.
Attn: Financial Editor.

Our Business is the engineering design, installation and service of air conditioning, refrigeration, heating and ventilating systems.

COMMERCIAL

Stores—Small and Large
Department Stores
Shopping Centres
Motels and Hotels
Office Buildings

INDUSTRIAL

Air Conditioning
Refrigeration and Cold Storage
Exhaust Systems
Make Up Air Systems
Heating

INSTITUTIONAL

Schools
Colleges
Hospitals
Churches
Auditoriums

RESIDENTIAL

Heating
Air Conditioning
Electronic Air Cleaning
Humidification
All Gas Appliances

(Detach here)

Dear Mr. Harper,

I have marked a potential application that should be of interest to Beaver, and I would like to have a representative of the Company with the latest information and prices contact:

NAME: _____

ADDRESS: _____

PHONE: _____

Commercial

Institutional

Industrial

Residential

YOURS SINCERELY,

NAME: _____

ADDRESS: _____

BEAVER ENGINEERING LIMITED

Dear Shareholder:

Every company works for and is responsible to the shareholders. Your Company, Beaver, is no exception.

I would like to ask you and every shareholder to also work for your Company. Know our services and fields of activity, so that you can recognize a possible opportunity for Beaver and can direct the prospect to us. When you do, please fill in the advice card and mail it to me so that we can contact the potential customer.

The Company does not spend much on advertising or promotion. Nearly all of our business comes from referrals or repeat purchases by satisfied customers. I would genuinely appreciate it if our shareholders would join our customers, employees and salesmen in extending the list of accounts we serve.

The pursuit of your referrals will be carried out in such a manner as to always deserve your support and confidence.

Yours sincerely,



W. H. Harper

TO: Beaver Engineering Limited

70 Queen Elizabeth Blvd.

Toronto 550, Ontario

Attn: Mr. W. H. Harper, President



NOTICE OF ANNUAL AND GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given that the Annual and General Meeting of Shareholders of Beaver Engineering Limited (hereinafter referred to as the "Company") will be held at the Head Office of the Company, 70 Queen Elizabeth Blvd., Toronto 550, Ontario on Friday, the 7th day of May, 1971 at 11:00 o'clock in the forenoon (Toronto Time), for the following purposes:

1. To receive and consider the Annual Report of the Directors, the financial statements for the year ending December 31, 1970, and the report of the Auditors thereon;
2. To elect directors;
3. To consider and, if thought fit, confirm By-law No. 1 of the Company, a copy of which By-law appears as Schedule A to the Information Circular and Proxy Statement hereof;
4. To appoint auditors for the ensuing year and to authorize the directors to fix their remuneration; and
5. To transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

DATED at Toronto, Ontario, April 6, 1971.

By Order of the Board of Directors

JAMES L. ATTWOOD
Secretary

- (i) Shareholders who may find it inconvenient to attend the meeting in person are requested to complete the attached form of proxy and return it in the enclosed envelope, so that as many shares as possible are represented at the meeting.
- (ii) This notice of meeting is accompanied by a copy of the Annual Report containing the said Financial Statements and the Auditors' Report and an Information Circular together with a Proxy form.



INFORMATION CIRCULAR

This Information Circular is furnished in connection with the solicitation of proxies by the management of Beaver Engineering Limited (hereinafter referred to as the "Company") for use at the Annual and General Meeting of the Shareholders of the Company to be held Friday, the 7th day of May, 1971 at 11:00 o'clock in the forenoon (Toronto Time) and at any adjournment or adjournments thereof.

Appointment and Revocation of Proxies

The persons named in the enclosed form of proxy are directors of the Company. The solicitation is made only by mail. The cost of solicitation will be paid by the Company.

The Shareholder has the right to appoint some other person to represent him at the meeting, and may do so by striking out the names of such directors and inserting such other person's name in the blank space provided in the form of proxy.

A Shareholder executing the enclosed proxy form may revoke it at any time before it is exercised.

Exercise of Discretion by Proxies

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. **In the absence of such direction, such shares will be voted for the approval of the Annual Report and financial statements, for the election of directors, for the appointment of auditors and for the confirmation of By-law No. 1 of the Company, as stated under those headings in this circular.** The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting and with respect to other matters which may properly come before the meeting. At the time of printing this circular the management of the Company knows of no such amendments, variations or other matters to come before the meeting other than the matters referred to in the notice of meeting.

Voting Shares and Principal Holders Thereof

All Shareholders of record as of the time of the Annual and General Meeting or any adjournment or adjournments thereof, are entitled to attend and vote thereat the shares held by them, either in person or by proxy.

As of March 31st, 1971, the Company had outstanding 601,800 shares without par value, each carrying the right to one vote.

To the knowledge of the directors and senior officers of the Company, no person or company beneficially owns directly or indirectly more than 10% of the voting shares of the Company except as follows:

Name	Number of Shares	Percentage of Outstanding Shares
WILLIAM H. HARPER	128,000	21.3%
JAMES L. ATTWOOD	128,000	21.3%

Election of Directors

The Board of Directors consists of nine persons, each of whom is elected annually to serve until the next Annual Meeting of Shareholders, or, subject to the Company's by-laws, until his successor is elected or appointed. It is intended that the following persons, all of whom are presently directors of the Company, will be nominated at the meeting.

Schedule A

BY-LAW No. 1

1. By-law No. 1 is hereby repealed and a new By-law No. 1 is hereby enacted in form and substance identical to By-law No. 1 as heretofore constituted save and except as to the following respects:

A. The following paragraph is substituted for paragraph 5 of By-law No. 1 of the Company.

5. **NOTICES.** No public notice or advertisement of any meeting of shareholders shall be required, but notice of the time and place of each such meeting shall be given not less than twenty-one (21) days before the day on which the meeting is to be held to the auditor of the Company and to each shareholder of record at the close of business on the day on which the notice is given who is entered on the books of the Company as the holder of one or more shares carrying the right to vote at the meeting. Notice of a general meeting of shareholders shall state the general nature of the business which is to be transacted at it. A meeting of shareholders may be held at any time without notice if all the shareholders entitled to vote thereat are present in person or represented by proxy or those not so present or represented by proxy have waived notice and if the auditor is present or has waived such notice, and at such meeting any business may be transacted which the Company at an annual or general meeting of the shareholders may transact.

B. The following is substituted for paragraph 19 of By-law No. 1 of the Company.

19. **POWERS OF DIRECTORS.** The affairs of the Company shall be managed by its Board of Directors of whom four (4) shall constitute a quorum for the transaction of business at any meeting thereof. Notwithstanding vacancies, the remaining directors may exercise all the powers of the board so long as a quorum of the board remains in office.

C. The following is substituted for paragraph 33 of By-law No. 1 of the Company.

33. INDEMNITY OF DIRECTORS AND OFFICERS.

- (1) Every director and officer of the Company and his heirs, executors, administrators and other legal personal representatives shall, from time to time and at all times, be indemnified and saved harmless by the Company from and against:

(a) any liability and all costs, charges and expenses that he sustains or incurs in respect of any action, suit or proceeding that is proposed or commenced against him for or in respect of the execution of the duties of his office; and

(b) all other costs, charges and expenses that he sustains or incurs in respect of the affairs of the Company; provided that notwithstanding any other provision in the by-laws of the Company, no director or officer of the Company shall be indemnified by it in respect of any liability, costs, charges or expenses that he sustains or incurs in or about any action, suit or other proceeding as a result of which he is adjudged to be in breach of duty or responsibility imposed upon him under The Business Corporations Act, 1970, or under any other statute unless, in an action brought against him in his capacity as director or officer, he has achieved complete or substantial success as a defendant.

- (2) The Company may purchase and maintain such insurance for the benefit of a director or officer of the Company, except insurance against a liability, cost, charge or expense of the director or officer incurred as a result of a contravention of Section 144 of The Business Corporations Act, 1970.

(3) This paragraph 33 is to be effective as of the 1st day of January, 1971.

2. All by-laws and resolutions of the Company inconsistent herewith are hereby amended, modified and revised in order to give effect to this by-law.

Proxies in favor of management will be voted for the following nominees or substitute nominees in the event of contingencies not known at present.

Nominees for Directors & Principal Occupation During the Past Five Years	Company Offices Held	Director Since	Approximate Number of Shares of the Company Beneficially Owned Directly or Indirectly as at March 31, 1971
JAMES L. ATTWOOD, P.ENG. Senior Officer of the Company	Vice President and Secretary	July 31, 1954	128,000
CHARLES E. BELL, P.ENG. Divisional Manager of the Company		Jan. 29, 1956	56,000
LAWRENCE L. BELL Retired. Prior to January 1, 1970 Partner, Richardson Securities of Canada		Sept. 11, 1969	1,000
GERALD E. BLAIR, P.ENG. Divisional Manager of the Company		March 12, 1968	20,000
LLOYD A. BOOK Divisional Manager of the Company Previously, President of Lloyd A. Book Limited		March 12, 1968	200
WILLARD Z. ESTEY, Q.C. Barrister and Solicitor Robertson, Lane, Perrett, Frankish and Estey		Jan. 10, 1967	800
WILLIAM H. HARPER, P.ENG. Senior Officer of the Company	President and Chairman of the Board	July 31, 1954	128,000
COLIN HERSH, P.ENG. Senior Officer of the Company	Vice President	Sept. 29, 1956	40,000
ELMER C. STRONGITHARM Divisional Manager of the Company		Jan. 10, 1967	16,400

NOTES:

- (a) The information as to shares beneficially held has been furnished by each nominee.
- (b) The respective periods of service as an employee or as a director of the predecessor corporation, Beaver Air Conditioning Limited (and its predecessor corporation), have been taken into account in the foregoing table.

Remuneration of Management and Others

The aggregate direct and indirect remuneration paid or payable by the Company to the directors and senior officers, as a group, during the calendar year ending December 31, 1970 amounted to \$157,400.

Option to Purchase Securities

Under the Company's stock option plan, options to purchase 200 shares at \$5.80 per share were exercised by a member of management on April 9, 1970. The price of the shares of the Company during the 30 day period prior to April 9, 1970, reached a high of \$9.00 and a low of \$8³/₈.

Appointment of Auditors

Proxies in the accompanying form will be voted in favor of the reappointment of Touche Ross & Co., as Auditors of the Company, to hold office until the next Annual Meeting of Shareholders.

By-law Relating to the Governance of the Affairs of the Company

As a result of the coming into force of The Business Corporations Act, 1970, of Ontario (hereinafter referred to as

the "New Act"), on January 1, 1971, By-law No. 1 of the Company, which deals with the governance of the affairs of the Company, was not continued as valid and in effect in its existing form and required certain alterations.

Previously paragraph 5 of that By-law provided notice of the time and place of each meeting of shareholders to be given not less than 15 days before the day of such meeting. Now, under the New Act the By-laws of the Company must provide for not fewer than 21 days' notice for each meeting of shareholders.

Pursuant to the predecessor of the New Act the quorum for the transaction of business at any meeting of the Board of Directors was established by Special Resolution passed by the Board of Directors and confirmed by the Shareholders to be 4 out of the 9 directors of the Company. The New Act requires the quorum of the Board of Directors to be a majority thereof unless the By-laws of the Company otherwise provide. Since the By-laws of the Company do not provide for a quorum it is necessary to insert a provision in By-law No. 1 establishing the quorum as set out above.

Another result of the coming into force of the New Act was to invalidate paragraph 33 of By-law No. 1 which dealt with the indemnification of directors and officers of the Company. The effect of that paragraph was to permit the Company to indemnify directors and officers to the full extent permitted by the predecessor of the New Act. That is, directors and officers and their legal personal representatives were entitled to indemnification from and against all costs, charges and expenses in connection with actions, suits or proceedings relating to the carrying out of their duties whether or not they were adjudged to be in breach of any duty and they were also entitled to be indemnified against costs, charges and expenses sustained in relation to the affairs of the Company unless occasioned by their own wilful neglect or default.

To comply with the provisions of the New Act a new paragraph 33 must be enacted and inserted into By-law No. 1. Under the proposed new paragraph 33, directors and officers and their legal personal representatives are entitled to indemnification against any liability and all costs, charges and expenses incurred in connection with actions, suits or proceedings relating to the execution of their duties or incurred in respect of the affairs of the Company unless they are adjudged to be in breach of any duty or responsibility imposed under the New Act or under any other statute. If they are so adjudged, they are entitled to indemnification only if they have achieved complete or substantial success as defendants in actions against them in their capacity as officers and directors.

The new paragraph 33, unlike the old paragraph 33, also permits the Company to purchase and maintain insurance for the benefit of a director or officer of the Company against liabilities, losses, charges or expenses incurred as a result of his failure to exercise his powers and to discharge the duties of his office in accordance with the standards set forth in the New Act. The Company does not presently maintain such insurance, nor does the Company know of any action, suit or proceeding which has begun or is threatened or of any other matters which might give rise to a claim for indemnification under the previous paragraph 33 or under the proposed new paragraph 33.

As a result of all of the above the Board of Directors must repeal By-law No. 1 and re-enact it in the form which appears as Schedule A, substituting a new paragraph 5 to comply with the provisions of the New Act respecting the notice required to be given to shareholders of any shareholders' meeting, altering paragraph 19 to establish by By-law the quorum of the Board of Directors in the same manner as it was previously established by Special Resolution and substituting a new paragraph 33 to comply with the provisions of the New Act relating to the indemnity of directors and officers.

Since paragraph 33 of By-law No. 1, as proposed, is to be in force from January 1, 1971, the indemnification of directors and officers with respect to matters occurring before and after the coming into force of the New Act will, in the opinion of Counsel, be governed by the new By-law No. 1.

The new By-law No. 1 is subject to confirmation by a majority of votes cast at the Annual and General Meeting of Shareholders.

Other Matters Coming Before the Meeting

The management knows of no matters to come before the meeting other than those referred to in the notice of Annual and General Meeting of Shareholders. Should any matters properly come before the meeting, proxies in favor of management nominees will be voted in accordance with the best judgment of the persons voting them.

Dated as of the 6th day of April, 1971.

Beaver

ENGINEERING

LIMITED



HEAD OFFICE: 70 QUEEN ELIZABETH BLVD.,
TORONTO 550, ONTARIO.